

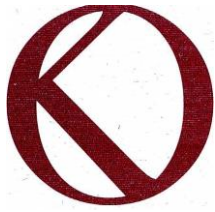
NORTH IOWA REGIONAL HOUSING AUTHORITY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SEPTEMBER 30, 2020 AND 2019

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Kronlage & Olson, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of North Iowa Regional Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of North Iowa Regional Housing Authority (Authority) as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the North Iowa Regional Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Regional Housing Authority, as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U. S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Housing Authority Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Iowa Regional Housing Authority's financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and the Financial Data Schedule for the year ended September 30, 2020, required by the Department of Housing and Urban Development, Real Estate Assessment Center are not required parts of the financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021 on our consideration of the North Iowa Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Iowa Regional Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Iowa Regional Housing Authority's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa

June 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Regional Housing Authority (NIRHA) operates two Department of Housing and Urban Development (HUD) programs, providing income-based housing and rental assistance to lower income families residing in the northern Iowa counties of Cerro Gordo, Floyd, Franklin, Hancock, Kossuth, Mitchell, Winnebago, and Worth. Although located within the above mentioned counties, the incorporated cities of Charles City, Mason City, and Riceville receive assistance from other housing authorities, and residents of those three communities are ineligible for assistance from NIRHA. A governing board, consisting of commissioners appointed by supervisors of each of the eight counties, hires an Executive Director to oversee the daily management of the housing authority and to supervise the administrative and maintenance staff as they work toward achieving the housing authority's goals and mission.

The mission of the North Iowa Regional Housing Authority is to assist low-income families with decent, safe, and affordable housing opportunities as they strive to achieve self-sufficiency and improve the quality of their lives. The Housing Authority is committed to operating in an efficient, ethical, and professional manner. The Housing Authority will create and maintain partnerships with its clients and appropriate community agencies in order to accomplish this mission.

The Public Housing (PH) Program provides assistance for low income families, elderly, and disabled persons in rental units owned and managed by NIRHA. Properties are located in ten northern Iowa communities. The units are designed to blend into and complement their respective neighborhoods. The units vary in bedroom sizes and range in style from duplexes and multi-family town houses with separate entrances to a multi-level apartment building. Tenant rents are income-based at approximately 30% of income. Rental income is generally insufficient for NIRHA to operate the properties, and HUD operating subsidies are used to provide a significant portion of the revenue gap. Capital improvement grants from HUD permit NIRHA to maintain the physical structure of the buildings and improve energy efficiency.

The Housing Choice Voucher (HCV) program is designed to enable elderly, disabled, and low income families the opportunity to rent decent, safe, and sanitary housing. The HCV program permits participants to rent an apartment or house from the private rental market. Participants' rent is income-based and initial lease-up rent does not exceed 40% of their adjusted monthly family income. Participants pay their portion of the rent to their landlords, and the balance of the rent is paid by NIRHA directly to the landlords. HUD subsidizes 100% of the landlord payments made by NIRHA. HUD also provides an administrative fee grant to NIRHA to defray costs of administering the program.

Operating and financial data for both the PH and HCV programs is closely monitored by HUD via monthly and annual reporting. HUD reporting also includes tenant income eligibility and family data. On-site compliance reviews are periodically scheduled by HUD to validate report data and to insure program integrity.

North Iowa Regional Housing Authority's performance and goals are dedicated to complying with program administration regulations. NIRHA has developed a system of internal procedures to ensure that expenditures represent allowable costs and are properly documented and approved. Procedures also ensure that calculations related to rent subsidies are accurate and in accordance with federal regulations. Additional procedures are in place to ensure NIRHA is in compliance with state and local laws. Policies are continually reviewed for legal and regulatory changes as well as changes in circumstances.

NIRHA depends exclusively upon federal funding. The commissioners and management of NIRHA continually monitor funding trends and make adjustments necessary to maintain financial stability.

2020 FINANCIAL INFORMATION

The following pages contain a narrative overview and analysis highlighting key financial activities for the fiscal year ended September 30, 2020, with comparative data from the fiscal year ended September 30, 2019. We encourage readers to consider this information in conjunction with the housing authority's audited financial statements.

The accompanying audited financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The *Statement of Net Position* presents all of NIRHA's assets and liabilities, with the difference between the two reported as "net position." Increases or decreases in net position may, over time, serve as a useful indicator of whether the financial position of NIRHA is improving or deteriorating.

	<u>2020</u>	<u>2019</u>
Current and other assets	\$1,480,527	\$ 1,099,108
Capital assets	2,296,562	2,418,201
Deferred outflow of Resources	<u>50,774</u>	<u>75,517</u>
Total assets and deferred outflow of resources	<u>\$3,827,863</u>	<u>\$ 3,592,826</u>
Short-term liabilities	\$ 220,590	\$ 97,960
Other liabilities	6,495	5,919
Net pension liability	203,928	199,332
Deferred inflow of resources	<u>69,891</u>	<u>62,981</u>
Total liabilities and deferred inflow of resources	<u>\$ 500,904</u>	<u>\$ 366,192</u>
Net position:		
Net investment in capital assets	\$2,296,562	\$2,418,201
Restricted	49,893	67,434
Unrestricted	<u>980,504</u>	<u>740,999</u>
Total net position	<u>\$3,326,959</u>	<u>\$3,226,634</u>

- The major component of assets is the investment in land, buildings, improvements, equipment, and construction in progress, net of depreciation. The agency incurred large capital expenditures of approximately \$184,000 during the current fiscal year. Capital funds received from HUD were designated for operating purposes, in accordance with HUD policy for small agencies. Current and other assets of approximately \$1,481,000 comprise a second asset component, and cash and investments represent the majority of that component. Deferred outflow of resources is a GASB 68 reporting requirement, and does not reflect operating activity of NIRHA.

- Short term and other liabilities are comprised mostly of vendor accounts payable, tenant security deposits, tenant prepaid rents (credit balances), and accrued expenses. Those accounts are reasonably comparable to prior years. The net pension liability and deferred inflow of resources are GASB 68 required accounts and do not reflect the operating activity of the agency. NIRHA is fortunate to have no long-term debt.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** presents information showing how net position changed during the most recent fiscal year and compares the data to the prior fiscal year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flow until future fiscal periods.

	<u>2020</u>	<u>2019</u>
Revenue by source		
Rents	\$ 156,182	\$ 156,500
Grants and contributions	1,852,685	1,776,558
Miscellaneous	<u>34,722</u>	<u>16,698</u>
Total revenues	<u>\$ 2,043,589</u>	<u>\$ 1,949,756</u>
Expenditures		
Administration	\$ 470,897	\$ 378,494
HAP payments	1,239,365	1,222,332
Depreciation	294,633	285,839
Maintenance and other	397,174	316,884
Miscellaneous	<u>-</u>	<u>13,341</u>
Total expenses	<u>\$ 2,402,069</u>	<u>\$ 2,216,890</u>
Non operating revenues (expenses)		
Capital contributions	\$ 463,081	\$ 224,148
Other	<u>(4,276)</u>	<u>38,744</u>
Total non-operating revenues	<u>\$ 458,805</u>	<u>\$ 262,892</u>
Change in net position	\$ 100,325	\$ (4,242)
Net position at beginning of year	<u>3,226,634</u>	<u>3,230,876</u>
Net position at end of year	<u>\$3,326,959</u>	<u>\$3,226,634</u>

- Rental income from tenants residing in the public housing units owned by the housing authority, plus grants from HUD, represent the majority of the operating revenue of NIRHA. All sources of revenue remained fairly stable during the current fiscal year.
- Payments to landlords for tenants participating in the HCV program constitute the single largest operating expense. Administrative expenses, PH maintenance expenses, and depreciation comprise most of the remaining operating expenses and compare favorably to the prior year.
- Maintaining full occupancy in public housing units is an on-going challenge. Rental income is subject to the ebb and flow of tenant income, tenant turnover, and changing market conditions.
- NIRHA strives to maintain close to the maximum number of HCV units permitted by the agency's contract with HUD. As the number of program participants increases, the dollar amount expended to landlords also increases, but cannot exceed HUD provided funding. HUD provides rental funding based upon the dollar amount paid to landlords, so as rent payments increase, HUD funding also increases up to the HUD maximum. HUD also provides an administrative grant to operate the program, and that operating grant is based directly upon the number of units served.

- NIRHA adopts annual operating budgets for the PH and HCV programs based upon expected federal grants awarded. All budgets are prepared on a basis prescribed by HUD which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year-end. It is often difficult to anticipate changing economic conditions which impact tenant incomes and thereby impacting the housing authority's budget. It is also difficult to predict funding amounts from HUD, since federal budget and grant information frequently have not been available until three to six months into NIRHA's fiscal year. NIRHA continually searches for cost saving measures to minimize the effects of uncontrolled revenue reductions.

The financial reports are designed to present our citizens, taxpayers, customers, investors, creditors, and other users with a general overview of the housing authority's finances and operating activities. If you have any questions or require additional information, please contact:

North Iowa Regional Housing Authority
202 1st St., S.E., Suite 203
Mason City, Iowa 50401
641-423-0897

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statements of Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$1,315,456	\$ 942,102
Investments	134,196	132,185
Receivables:		
Accounts receivable-Tenants	6,417	790
Accrued interest	453	459
Prepaid expenses	<u>24,005</u>	<u>23,572</u>
Total current assets	<u>\$1,480,527</u>	<u>\$1,099,108</u>
Non-current assets:		
Capital assets:		
Land	\$ 915,268	\$ 915,268
Buildings and improvements	7,436,519	7,298,181
Equipment	<u>148,066</u>	<u>133,936</u>
Total capital assets	\$8,499,853	\$8,347,385
Less accumulated depreciation	<u>6,203,291</u>	<u>5,929,184</u>
Capital assets, net	<u>\$2,296,562</u>	<u>\$2,418,201</u>
Total non-current assets	<u>\$2,296,562</u>	<u>\$2,418,201</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related deferred outflows	<u>\$ 50,774</u>	<u>\$ 75,517</u>
Total assets and deferred outflows of resources	<u>\$3,827,863</u>	<u>\$3,592,826</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 7,161	\$ 31,049
Accrued expenses:		
Payroll	16,155	12,288
Compensated absences	20,569	11,039
Other	24,935	2,350
Deferred revenue	120,685	7,409
Security deposits	<u>31,085</u>	<u>33,825</u>
Total current liabilities	<u>\$ 220,590</u>	<u>\$ 97,960</u>
Non-current liabilities:		
Accrued compensated absences	\$ 6,495	\$ 5,919
Net pension liability	<u>203,928</u>	<u>199,332</u>
Total non-current liabilities	<u>\$ 210,423</u>	<u>\$ 205,251</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension related deferred inflows	<u>\$ 69,891</u>	<u>\$ 62,981</u>
Total liabilities and deferred inflows of resources	<u>\$ 500,904</u>	<u>\$ 366,192</u>
NET POSITION:		
Investment in capital assets	\$2,296,562	\$2,418,201
Restricted		
Expendable	49,893	67,434
Unrestricted	<u>980,504</u>	<u>740,999</u>
Total net position	<u>\$3,326,959</u>	<u>\$3,226,634</u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Rent	\$ 156,182	\$ 156,500
Grants and contributions	1,852,685	1,776,558
Miscellaneous	<u>34,722</u>	<u>16,698</u>
Total operating revenue	<u>\$2,043,589</u>	<u>\$1,949,756</u>
Operating Expenses:		
Administrative	\$ 470,897	\$ 378,494
Utilities	37,735	35,992
Maintenance	359,439	280,892
Depreciation	294,633	285,839
HAP payments	1,239,365	1,222,332
Miscellaneous	<u>-</u>	<u>13,341</u>
Total operating expenses	<u>\$2,402,069</u>	<u>\$2,216,890</u>
Operating income (loss)	<u>\$ (358,480)</u>	<u>\$ (267,134)</u>
Non-operating revenues (expenses):		
Interest	\$ 7,011	\$ 6,988
Insurance proceeds	-	34,323
Gain (loss) on disposal of assets	<u>(11,287)</u>	<u>(2,567)</u>
Total non-operating revenue (expenses)	<u>\$ (4,276)</u>	<u>\$ 38,744</u>
Income (loss) before contributions and transfers	\$ (362,756)	\$ (228,390)
Contributions and transfers:		
Contributions	<u>463,081</u>	<u>224,148</u>
Change in net position	\$ 100,325	\$ (4,242)
Net position beginning of year	<u>3,226,634</u>	<u>3,230,876</u>
Net position end of year	<u>\$3,326,959</u>	<u>\$3,226,634</u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from rental receipts	\$ 150,555	\$ 181,006
Cash received from HUD	1,965,961	1,776,558
Cash paid to employees for services	(403,372)	(403,823)
Cash paid to suppliers for goods or services	(381,493)	(297,439)
Cash paid for HAP payments	(1,239,365)	(1,222,332)
Cash paid for miscellaneous items	-	(13,341)
Cash paid for tenant security deposits	<u>(2,740)</u>	<u>2,100</u>
Net cash provided(used) by operating activities	<u>\$ 89,546</u>	<u>\$ 22,729</u>
Cash Flows from Capital and Related Financing Activities:		
HUD capital grants received	<u>\$ 463,081</u>	<u>\$ 224,148</u>
Cash Flows from Investing Activities:		
Purchase of investments	\$ (2,011)	\$ (1,977)
Interest received	7,017	6,976
Purchase of capital assets	<u>(184,279)</u>	<u>(75,415)</u>
Net cash provided (used) by investing activities	<u>\$ (179,273)</u>	<u>\$ (70,416)</u>
Net increase (decrease) in cash	\$ 373,354	\$ 176,461
Cash beginning of year	<u>942,102</u>	<u>765,641</u>
Cash end of year	<u>\$1,315,456</u>	<u>\$ 942,102</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (358,480)	\$ (267,134)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation expense	294,633	285,839
Bad debt expense	4,804	876
Change in assets and liabilities:		
(Increase) decrease in receivables	(8,487)	1,142
(Increase) decrease in prepaid expenses	(433)	(3,384)
(Increase) decrease in deferred outflows	24,743	16,162
Increase (decrease) in security deposits	(2,740)	2,100
Increase (decrease) in accounts payable	(23,888)	22,829
Increase (decrease) in accrued expenses	34,612	(10,868)
Increase (decrease) in deferred revenue	113,276	5,790
Increase (decrease) in deferred inflows	6,910	50,062
Increase (decrease) in net pension liability	<u>4,596</u>	<u>(80,685)</u>
Net cash provided (used) by operating activities	<u>\$ 89,546</u>	<u>\$ 22,729</u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The North Iowa Regional Housing Authority (Authority) is a special purpose government organization organized under Iowa Code Chapters 28E, Joint Exercise of Governmental Powers, and 403A, Municipal Housing Projects. The Authority is located in Mason City, Iowa, and serves an eight county area. The Authority has an appointed governing body from the eight county area. The Authority's revenue is generated by rents from their 121 conventional low rent units and an additional 398 Section 8 Housing Choice Voucher units. The Authority is subject to Section 8 Housing Assistance Payments agreements with the U.S. Department of Housing and Urban Development (HUD). The Authority's major program is its Section 8 Housing Choice Voucher Program.

For financial reporting purposes, North Iowa Regional Housing Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. North Iowa Regional Housing Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The statements of net position present the Authority's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

The North Iowa Regional Housing Authority's activities are accounted for as a proprietary fund and reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are rental fees and charges to tenants for sales and services. Operating expenses for the Authority include the cost of maintaining rental facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

D. Budget

The Finance Director of the Authority prepares an annual budget for the Authority's general operations. This budget is approved and monitored by the Board.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash Management and Investments

The Authority maintains two primary demand deposit accounts through which the majority of the Authority's cash resources are processed. Investments consist of non-negotiable certificates of deposit which are stated at cost. For purposes of the statements of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Accounts Receivable-Tenants

Accounts receivable-tenants are recorded the first of each month when tenants are billed for their monthly rent. Balances as of September 30, 2020 and 2019, are net of \$3,959 and \$1,099 allowance for doubtful accounts, respectively. Since all rents are billed the first of each month, unbilled rents at September 30, 2020 and 2019 are considered immaterial.

Restricted Assets

Assets which can be designated by the Board of Commissioners for any use within the Authority's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and equipment are reported by the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair-market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, improvements other than buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	3 to 10 years
Leasehold improvements	15 years

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies – (continued)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences

Authority employees can accumulate a maximum of 65 days of earned but unused paid days off (PDO) for subsequent use or for payment upon termination, death or retirement. A liability is recorded in the statements of net position which has been computed based on rates of pay in effect September 30, 2020 and 2019, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employee's Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Expenses

Since the Authority is a government agency, it does not pay property tax on the public housing properties it owns. The Authority accrues 10% of the dwelling rent less utilities as payment in lieu of taxes (PILOT) to be remitted to each county where property is located. Seven out of eight counties have agreed to waive the PILOT.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the statements of net position represent the amount of assets that have been recognized, but the related revenue had not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the statements of net position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(2) Cash and Investments

The Authority's deposits in banks at September 30, 2020 and 2019 were entirely covered by Federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Commissioners; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$ 915,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,268</u>
Capital assets, being depreciated:				
Buildings and improvements	\$7,298,181	\$ 170,149	\$ 31,811	\$ 7,436,519
Equipment	<u>133,936</u>	<u>14,130</u>	<u>-</u>	<u>148,066</u>
Total capital assets being depreciated	\$7,432,117	\$ 184,279	\$ 31,811	\$ 7,584,585
Less accumulated depreciation	<u>5,929,184</u>	<u>294,633</u>	<u>20,526</u>	<u>6,203,291</u>
Total capital assets being depreciated, net	<u>\$1,502,933</u>	<u>\$ (110,354)</u>	<u>\$ 11,285</u>	<u>\$ 1,381,294</u>
Total capital assets, net	<u>\$2,418,201</u>	<u>\$ (110,354)</u>	<u>\$ 11,285</u>	<u>\$ 2,296,562</u>

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(3) Capital Assets – (continued)

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 915,268	\$ -	\$ -	\$ 915,268
Capital assets, being depreciated:				
Buildings and improvements	\$7,197,000	\$ 109,739	\$ 8,558	\$7,298,181
Equipment	<u>133,936</u>	<u>-</u>	<u>-</u>	<u>133,936</u>
Total capital assets being depreciated	\$7,330,936	\$ 109,739	\$ 8,558	\$7,432,117
Less accumulated depreciation	<u>5,649,335</u>	<u>285,839</u>	<u>5,990</u>	<u>5,929,184</u>
Total capital assets being depreciated, net	<u>\$1,681,601</u>	<u>\$ (176,100)</u>	<u>\$ 2,568</u>	<u>\$1,502,933</u>
Total capital assets, net	<u>\$2,596,869</u>	<u>\$ (176,100)</u>	<u>\$ 2,568</u>	<u>\$2,418,201</u>

Depreciation expense charged to operations for the years ended September 30, 2020, and 2019, was \$294,633 and \$285,839, respectively.

(4) Pension and retirement benefits

Plan Description - IPERS membership is mandatory for employees of the Authority, except for those covered by another retirement system. Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(4) Pension and retirement benefits – (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Authority contributed 9.44% of covered payroll for a total rate of 15.73%.

The Authority's total contributions to IPERS for the year ended September 30, 2020 was \$44,128.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020, the Authority reported a liability of \$ 203,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Authority's collective proportion was 0.003498% which was an increase of 0.000347% from its proportion measured as of June 30, 2018.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(4) Pension and retirement benefits (continued)

For the year ended September 30, 2020, the Authority recognized pension expense of \$. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 565	\$ 7,332
Changes in assumptions	21,844	-
Net difference between projected and actual earnings on IPERS investments	-	22,980
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,882	39,579
Authority contributions subsequent to the measurement date	<u>26,483</u>	<u>-</u>
Total	<u>\$ 50,774</u>	<u>\$ 69,891</u>

\$26,483 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Total</u>
2021	\$ (7,476)
2022	(16,274)
2023	(14,616)
2024	(6,815)
2025	<u>(419)</u>
	<u>\$ (45,600)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(4) Pension and retirement benefits – (continued)

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's proportionate share of net pension liability	\$362,110	\$103,928	\$71,246

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - All legally required Authority contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Authority to IPERS by September 30, 2020.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(5) Contingencies

Under terms of federal grants with HUD, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to HUD. Authority management believes disallowances, if any, will be immaterial.

(6) Risk Management

The North Iowa Regional Housing Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Operating Lease Activity

The Authority leases office space under a five year lease extension with monthly lease payments of \$1,498 plus common area costs estimated at \$910 per month through December 31, 2021.

Monthly lease payments are due the first of each month. The lease is classified as an operating lease and accordingly all rents are charged to expense as incurred. Lease expense totaled \$28,979 and \$28,979 for the years ended September 30, 2020 and 2019 respectively.

Future minimum lease payments under this lease are as follows:

For year	
<u>Ending September 30</u>	
2021	\$ 28,896
2022	<u>7,224</u>
	<u>\$ 36,120</u>

(8) Current Vulnerability Due to Certain Concentrations

The Authority's operations are concentrated in the multi-family real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2020 and 2019

(9) Termination Benefits

As of September 30, 2020 and 2019, the Authority had no terminated employees participating in continuation of health care coverage available from the Authority. Participants pay 100% of the premium for continuing coverage. Continuation coverage benefits are available for eligible employees for nine months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(10) Subsequent Events – Date of Management Evaluation

Management has evaluated subsequent events through June 16, 2021, the date on which the financial statements were available to be issued

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Housing Authority's Proportionate Share of Net Pension Liability
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Six Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net pension liability (asset)	0.003498%	0.003151%	0.0042037%
Authority's proportionate share of the net pension liability	\$ 203,928	\$199,332	\$280,017
Authority's covered-employee payroll	\$ 280,536	\$437,341	\$368,757
Authority's proportionate share of the Net pension liability as a percentage of its covered-employee payroll	72.69%	45.58%	75.94%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%

*The amounts presented for each fiscal year were determined as of September 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.004148%	0.004376%	0.004129%
\$261,063	\$216,184	\$167,085
\$306,730	\$289,020	\$305,397
85.11%	70.79%	59.93%
81.82%	85.19%	87.61%

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Housing Authority Contributions
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 26,483	\$ 41,285	\$ 32,930	\$ 27,391
Contributions in relation to the statutorily required contribution	<u>(26,483)</u>	<u>(41,285)</u>	<u>(32,930)</u>	<u>(27,391)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Authority's covered-employee payroll	\$280,536	\$437,341	\$ 368,757	\$306,730
Contributions as percentage of covered-employee payroll	9.44%	9.44%	9.44%	8.93%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 25,810	\$ 27,272	\$ 24,895	\$ 23,992	\$ 23,777	\$ 21,539
<u>(25,810)</u>	<u>(27,272)</u>	<u>(24,895)</u>	<u>23,992)</u>	<u>(23,777)</u>	<u>21,539)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 289,020	\$ 305,397	\$ 278,783	\$ 274,480	\$ 290,713	\$ 297,489
8.93%	8.93%	8.93%	8.74%	8.18%	7.24%

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Required Supplementary Information – Pension Liability
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended September 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using scale MP-2017.
- Adjust retirement rates
- Lowered disability rates.
- Adjusted the probability of a rested Regular member electing to receive deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<u>Federal Awards</u>			
Direct:			
Department of Housing and Urban Development:			
Public and Indian Housing	14.850	IA00000118D	\$ 802
Public and Indian Housing	14.850	IA00000119D	87,136
Public and Indian Housing	14.850	IA00000120D	273,850
COVID-19 Public and Indian Housing	14.850	IA00000120DC	59,740
Total			<u>\$ 421,528</u>
Section 8 Housing Choice Vouchers	14.871	IA127VO	1,429,330
COVID-19 Section 8 Housing Choice Vouchers	14.871	IA127VOAF	8,694
Total			<u>\$1,438,024</u>
Public Housing Capital Fund:			
Fiscal Year 2019	14.872	IA05P127501-19	\$ 233,623
Fiscal Year 2020	14.872	IA05D127501-20	229,458
Total			<u>\$ 463,081</u>
Total federal expenditures			<u>\$2,322,633</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Iowa Regional Housing Authority and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements Title 2, U. S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. North Iowa Regional Housing Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



Kronlage & Olson, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
North Iowa Regional Housing Authority:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the North Iowa Regional Housing Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements which collectively comprise North Iowa Regional Housing Authority's basic financial statements, and have issued our report thereon dated June 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Iowa Regional Housing Authority's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Iowa Regional Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Iowa Regional Housing Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Regional Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

June 16, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners
North Iowa Regional Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited North Iowa Regional Housing Authority's compliance with the types of compliance requirements described in the (OMB) Compliance Supplement that could have a direct and material effect on North Iowa Regional Housing Authority's major federal program for the year ended September 30, 2020. North Iowa Regional Housing Authority's major federal program is identified in the Summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for North Iowa Regional Housing Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Regional Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of North Iowa Regional Housing Authority's compliance.

Opinion of Each Major Federal Program

In our opinion, North Iowa Regional Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of North Iowa Regional Housing Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Iowa Regional Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Regional Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

June 16, 2021

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Part I: Summary of the Independent Auditor's Results:

FINANCIAL STATEMENTS

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __yes xno
- Significant deficiency(ies) identified? __yes xno

Noncompliance material to financial statements noted __yes xno

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? __yes xno
- Significant deficiency(ies) identified? __yes xno

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to
be reported in accordance with section 510(a) of
the Uniform Guidance? __yes xno

Auditee qualified as low-risk auditee? xyes __no

CFDA Numbers

Name of Federal Program or Cluster

14.871

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Part II: Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

There were no prior year or current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

There were no current year material weaknesses identified.

Part III: Findings and Questioned Costs for Federal Awards:

CFDA Number 14.871

Federal Award Year 2020

U.S. Department of Housing and Urban Development

Direct Award

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Part III: Findings and Questioned Costs for Federal Awards: (Continued)

INSTANCES OF NONCOMPLIANCE:

There were no current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

There were no current year material weaknesses identified.

Part IV: Other Findings Related to Required Statutory Reporting:

- | | |
|---------|---|
| IV-A-20 | <u>Official Depositories</u> - A resolution naming official depositories has been approved by the Authority. |
| IV-B-20 | <u>Questionable Expenditures</u> – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. |
| IV-C-20 | <u>Travel Expense</u> - No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted. No travel advances to Authority officials or employees were noted. |
| IV-D-20 | <u>Business Transactions</u> – There were no business transactions between the Authority and Authority officials or employees. |
| IV-E-20 | <u>Bond Coverage</u> - Surety bond coverage of Authority officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| IV-F-20 | <u>Deposits and Investments</u> – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Authority’s investment policy. |
| IV-G-20 | <u>Authority Minutes</u> – No transactions were found that we believe should have been approved in the Authority minutes but were not. |

NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2020

		Section 8							
		Public	Capital	Total Public	Housing	Public	Section 8		
		Housing	Funds	Housing with	Choice	Housing	Housing	Business	
Line Item #	Account Description	14.850a	14.872	Capital	Vouchers	CARES Act	CARES Act	Activities	
				Funds	14.871	14.PHC	14.HCC	TOTAL	
ASSETS:									
CURRENT ASSETS:									
Cash:									
111	Cash - unrestricted	896,183	-	896,183	255,118	-	-	1,505	
113	Cash - other restricted	-	-	-	49,893	-	81,672	-	
114	Cash - tenant security deposits	31,085	-	31,085	-	-	-	31,085	
100	Total cash	927,268	-	927,268	305,011	-	81,672	1,505	
Accounts and notes receivables:									
126	Accounts receivable- tenants - dwelling re	7,404	-	7,404	-	-	-	7,404	
126.1	Allowance for doubtful accounts - dwelling	(3,959)	-	(3,959)	-	-	-	(3,959)	
128	Fraud recovery	-	-	-	2,972	-	-	2,972	
129	Accrued interest receivable	453	-	453	-	-	-	453	
120	Total rec., net of allowances for doubtful	3,898	-	3,898	2,972	-	-	6,870	
Current investments									
131	Investments - unrestricted	134,196	-	134,196	-	-	-	134,196	
142	Prepaid expenses and other assets	11,648	-	11,648	12,357	-	-	24,005	
150	TOTAL CURRENT ASSETS	1,077,010	-	1,077,010	320,340	-	81,672	1,505	
NONCURRENT ASSETS:									
Fixed assets:									
161	Land	915,268	-	915,268	-	-	-	915,268	
162	Buildings	7,436,519	-	7,436,519	-	-	-	7,436,519	
163	Furniture, equipment & machinery - dwelling	48,183	-	48,183	-	-	-	48,183	
164	Furniture, equipment & machinery - administrative	99,883	-	99,883	-	-	-	99,883	
166	Accumulated depreciation	(6,203,291)	-	(6,203,291)	-	-	-	(6,203,291)	
160	Total fixed assets, net of accumulated	2,296,562	-	2,296,562	-	-	-	2,296,562	
190	TOTAL ASSETS	3,373,572	-	3,373,572	320,340	-	81,672	1,505	
200	Deferred Outflow of Resources	33,849	-	33,849	16,925	-	-	50,774	
290	TOTAL ASSETS and Deferred Outflow of	3,407,421	-	3,407,421	337,265	-	81,672	1,505	
LIABILITIES AND EQUITY:									
LIABILITIES:									
CURRENT LIABILITIES									
312	Accounts payable < 90 days	6,607	-	6,607	554	-	-	7,161	
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	
321	Accrued wage/payroll taxes payable	12,669	-	12,669	3,486	-	-	16,155	
322	Accrued compensated absences-current period	12,626	-	12,626	7,943	-	-	20,569	
333	Accounts payable - other government	6,454	-	6,454	-	-	-	6,454	
341	Tenant security deposits	31,085	-	31,085	-	-	-	31,085	
342	Unearned revenue	35,868	-	35,868	3,145	-	81,672	120,685	
346	Accrued liabilities - other	15,887	-	15,887	2,594	-	-	18,481	
310	TOTAL CURRENT LIABILITIES	121,196	-	121,196	17,722	-	81,672	220,590	
NONCURRENT LIABILITIES:									
354	Accrued compensated absences-noncurrent	5,263	-	5,263	1,232	-	-	6,495	
357	Accrued pension and OPEB liabilities	135,952	-	135,952	67,976	-	-	203,928	
350	TOTAL NONCURRENT LIABILITIES	141,215	-	141,215	69,208	-	-	210,423	
300	TOTAL LIABILITIES	262,411	-	262,411	86,930	-	81,672	431,013	
400	Deferred Inflow of Resources	46,594	-	46,594	23,297	-	-	69,891	
EQUITY:									
Contributed Capital:									
508.4	Invested in Capital Assets, net of Related De	2,296,562	-	2,296,562	-	-	-	2,296,562	
511.4	Restricted Net Position	-	-	-	49,893	-	-	49,893	
512.4	Unrestricted Net Position	801,854	-	801,854	177,145	-	-	1,505	
513	TOTAL EQUITY - Net Assets / Position	3,098,416	-	3,098,416	227,038	-	-	1,505	
600	TOTAL LIABILITIES AND EQUITY	3,407,421	-	3,407,421	337,265	-	81,672	1,505	

NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2020

FDS Line Item #	Account Description	Public	Capital	Section 8	Public	Section 8	Business	TOTAL
		Housing 14.850a	Funds 14.872	Housing Choice Vouchers 14.871	Housing CARES Act 14.PHC	Housing CARES Act 14.HCC		
70300	Net tenant rental revenue	151,646	-	-	-	-	-	151,646
70400	Tenant revenue - other	25,463	-	-	-	-	-	25,463
70500	Total tenant revenue	177,109	-	-	-	-	-	177,109
70600	HUD PHA grants	361,788	463,081	1,422,463	59,740	8,694	-	2,315,766
71100	Investment income - unrestricted	5,472	-	1,539	-	-	-	7,011
71400	Fraud recovery	-	-	3,484	-	-	-	3,484
71500	Other revenue	4,794	-	5,517	-	-	-	10,311
71600	Gain or loss on the sale of fixed assets	(11,287)	-	-	-	-	-	(11,287)
70000	TOTAL REVENUE	537,876	463,081	1,433,003	59,740	8,694	-	2,502,394
91100	Administrative salaries	113,520	-	71,695	-	-	-	185,215
91200	Auditing fees	2,534	-	6,006	-	-	-	8,540
91500	Employee benefit contributions- administrative	55,080	-	21,434	-	-	-	76,514
91600	Office expenses	23,310	xxxxx	24,228	2,053	2,989	-	52,580
91700	Legal expenses	14,236	xxxxx	599	-	-	-	14,835
91800	Travel	793	xxxxx	227	61	101	-	1,182
91900	Other	22,430	xxxxx	26,123	3,575	5,494	-	57,622
91000	Total operating - administrative	231,903	-	150,312	5,689	8,584	-	396,488
93100	Water	4,784	xxxxx	-	-	-	-	4,784
93200	Electricity	18,262	xxxxx	338	-	-	-	18,600
93300	Gas	6,962	xxxxx	-	-	-	-	6,962
93600	Sewer	7,727	xxxxx	-	-	-	-	7,727
93000	Total utilities	37,735	-	338	-	-	-	38,073
94100	Ordinary maintenance and operations - labor	74,972	xxxxx	3,946	-	-	-	78,918
94200	Ordinary maintenance and operations - materials & other	60,339	xxxxx	965	11,692	110	-	73,106
94300	Total contract costs	115,403	xxxxx	965	27,202	-	-	143,570
94300-010	Garbage and trash removal	8,311	xxxxx	-	-	-	-	8,311
94300-020	Heating and cooling contract	10,102	xxxxx	-	-	-	-	10,102
94300-030	Snow removal contract	10,591	xxxxx	-	-	-	-	10,591
94300-040	Elevator maintenance contract	4,212	xxxxx	-	-	-	-	4,212
94300-050	Landscape & grounds contract	22,282	xxxxx	-	-	-	-	22,282
94300-060	Unit turnaround	29,087	xxxxx	-	-	-	-	29,087
94300-070	Electrical contract	1,826	xxxxx	875	-	-	-	2,701
94300-080	Plumbing contract	10,464	xxxxx	-	-	-	-	10,464
94300-090	Extermination contract	6,463	xxxxx	-	-	-	-	6,463
94300-100	Janitorial contract	3,680	xxxxx	-	-	-	-	3,680
94300-120	Miscellaneous contracts	8,385	xxxxx	90	27,202	-	-	35,677
94500	Employee benefit contributions- ordinary maintenance	48,749	xxxxx	1,717	-	-	-	50,466
94000	Total maintenance	299,463	-	7,593	38,894	110	-	346,060
96110	Property insurance	21,786	xxxxx	-	-	-	-	21,786
96120	Liability insurance	1,517	xxxxx	5,040	-	-	-	6,557
96130	Workmens compensation	3,303	xxxxx	965	-	-	-	4,268
96140	All other insurance	972	xxxxx	108	-	-	-	1,080
96100	Total insurance	27,578	-	6,113	-	-	-	33,691
96200	Other general expenses	992	xxxxx	8,393	-	-	-	9,385
96210	Compensated absences	20,431	xxxxx	5,226	-	-	-	25,657
96300	Payments in lieu of taxes	6,454	xxxxx	-	-	-	-	6,454
96400	Bad debt - tenant rents	7,664	xxxxx	-	-	-	-	7,664
96000	Total other general expenses	35,541	-	13,619	-	-	-	49,160
96900	TOTAL OPERATING EXPENSES	632,220	-	177,975	44,583	8,694	-	863,472
97000	EXCESS OPERATING REV OVER OPERATING EXP	(94,344)	463,081	1,255,028	15,157	-	-	1,638,922
97300	Housing assistance payments	-	xxxxx	1,222,067	-	-	-	1,222,067
97350	HAP portability - in	-	xxxxx	4,882	-	-	-	4,882
97400	Depreciation expense	294,632	-	-	-	-	-	294,632
90000	TOTAL EXPENSES	931,451	-	1,404,924	44,583	8,694	-	2,389,652
10010	Operating transfers in	463,081	-	-	-	-	-	463,081
10020	Operating transfers out	-	(463,081)	-	-	-	-	(463,081)
10100	TOTAL OTHER FINANCING SOURCES (USES)	463,081	(463,081)	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF TOTAL REV OVER (UNDER) TO	69,506	-	28,079	15,157	-	-	112,742

NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2020

Memo account information								
11030	Beginning equity	3,013,753	xxxxx	211,375	-	-	1,505	3,226,633
11040	Prior period adjustments and equity transfers	15,157	-	(12,416)	(15,157)	-	-	(12,416)
11190	Unit months available	1,452	xxxxx	4,253	-	-	-	5,705
11210	Number of unit months leased	1,304	xxxxx	3,835	-	-	-	5,139
11170	Administrative Fee Equity	xxxxx	xxxxx	177,145	xxxxx	xxxxx	xxxxx	177,145
11180	Housing Assistance Payments Equity	xxxxx	xxxxx	49,893	xxxxx	xxxxx	xxxxx	49,893
11270	Excess cash	891,481	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	891,481
11620	Building purchases	170,149	-	xxxxx	xxxxx	xxxxx	xxxxx	170,149
11630	Furniture & equipment - dwelling purchases	14,130	-	xxxxx	xxxxx	xxxxx	xxxxx	14,130

**NORTH IOWA REGIONAL HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020**

			If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation.
Comment Reference	Comment Title	Status	

None